



A\$60M debt package plus equity raising to fully fund project pipeline

- **New cornerstone investor to provide A\$60M debt funding and up to a A\$2M equity contribution**
- **Existing project pipeline to be fully funded**
- **Mt Boppy to be in production within 12 months**
- **Placement: A\$6M minimum to be made, A\$3M commitments secured**
- **Existing shareholders to be provided an opportunity to participate in capital raising on similar terms**
- **Southern Cross positioned to seize further expansion opportunities.**

Australian mining company, Southern Cross Goldfields Limited (ASX: **SXG**, the Company), has secured a A\$60 million debt package and a new cornerstone investor to fully fund its existing project pipeline, leaving it ideally positioned to seize further expansion opportunities.

TrailStone Group, a global commodity trading and logistics company backed with a US\$500 million commitment from Riverstone Holdings LLC, is making available two finance facilities, comprising:

1. a A\$25 million gold loan available immediately; and
2. a A\$35 million credit facility to be drawn down in stages from the first half of 2015.

In delivering its existing projects, SXG plans to draw on the finance facilities progressively resulting in the maximum debt at any time estimated to be around A\$35 million.

The Company is simultaneously undertaking a recapitalisation to raise a minimum A\$6 million in order to strengthen its balance sheet and deliver a platform for further growth.

This includes A\$5 million through a share placement to sophisticated and professional investors at A\$0.01 per share. The placement will include one free attaching option for every two shares issued, exercisable at no more than A\$0.014 per option.

To date, SXG directors and management and other new investors have committed to subscribe for approximately A\$2 million worth of SXG shares under the placement.

The placement is subject to shareholder approval and SXG intends to convene an extraordinary general meeting for that purpose.



Immediately following the placement, TrailStone will subscribe for a minimum of A\$1 million of SXG shares at the same issue price (A\$0.01). It will not be entitled to receive any free options. This will result in TrailStone holding approximately 7% of SXG's issued ordinary capital, based on a minimum A\$6 million equity raising. If the placement increases to A\$8 million, TrailStone will subscribe for A\$2 million of SXG shares.

Following drawdown of the gold loan, TrailStone will have the right to appoint a representative to the board of SXG.

On completion of the placement and issue of TrailStone shares, current shareholders will be offered the opportunity to participate in a capital raising on similar terms to the placement. Details of the offering will be released in due course.

As part of its consideration for providing the credit facility, TrailStone will be issued with warrants exercisable before the end of 2019, on similar terms as the options mentioned above, namely, with an exercise price of no more than A\$0.014 per warrant.

The warrants will be convertible into ordinary shares on a one-for-one basis once conversion is approved by SXG shareholders. TrailStone is expected to receive approximately 1.25 billion warrants based upon the current SXG share price, with the exact number of warrants to be determined at the time of draw down of the gold loan. SXG intends to seek shareholder approval for the issue of, and conversion rights attached to, the warrants at its 2014 Annual General Meeting.

SXG may receive further funds of up to A\$17.5 million from the exercise of the warrants. Shareholders will be provided with further detailed information, including the terms and conditions of the warrants in the Notice of Meeting and accompanying material to be disseminated to shareholders to convene the 2014 AGM. Shareholders will also be provided with an Independent Expert's Report to assist them in deciding how to vote in relation to the warrants.

If all warrants were to be converted, TrailStone would hold up to 44% of the company on a fully diluted basis.

If shareholders do not approve the conversion of the warrants into SXG shares, those warrants may be settled by SXG making a cash payment to TrailStone, without any dilutionary impact on shareholders.

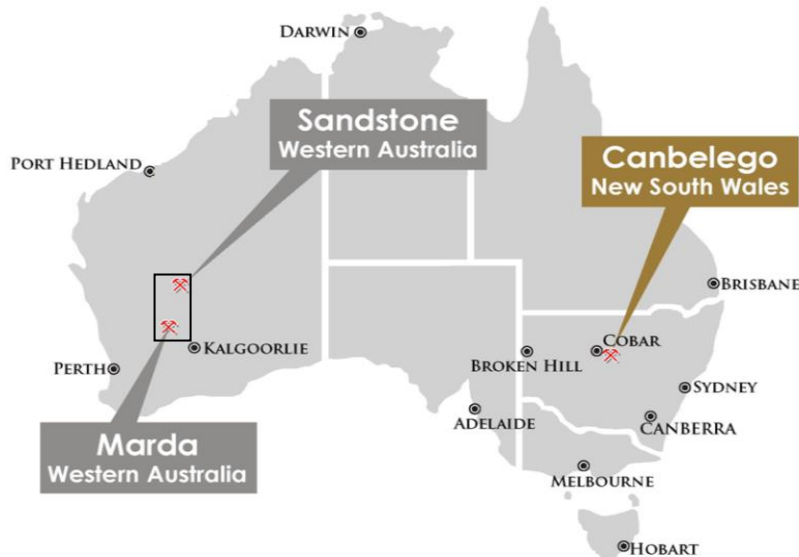
Use of proceeds

The finance facilities and proceeds from the placement provide sufficient funds to repay existing debt and deliver the staged development of both the Mt Boppy Gold Project at Canbelego in Central NSW followed by the Marda Gold Project in south-western Western Australia.

Mt Boppy, an open cut gold mine previously worked by the current SXG team, is a high grade gold project planned to be in production in the first half of 2015. It is currently estimated to generate in excess of 64,000 ounces of gold over a two year production term at a cash cost of below A\$600 per ounce.



The Marda Project could be developed to commence production in 2017. Utilising the existing Sandstone plant, it has an estimated mine life of four years producing 167,000 ounces of gold at a cash cost of below A\$800 per ounce. The project has considerable exploration potential, which, if realised, may lead to an extension of the mine life.



"This is an exceptional transaction for our shareholders," said Southern Cross Managing Director, Frank Terranova.

"Entry of the highly reputable TrailStone fund as a cornerstone investor and financier is a major endorsement of Southern Cross, its projects and management team.

"We look forward to working closely with TrailStone in growing the Company and delivering attractive returns to all shareholders.

"This transaction is effectively a relaunch of Southern Cross. It enables us to bring our existing projects into production and creates a strong new platform for substantial growth.

"It ensures that the Company is fully funded to develop its existing pipeline and is well positioned to capitalise on opportunities in the current market.

"Being fully funded and transitioning to producer provides an excellent catalyst for value and re-rating of the stock," he said.

TrailStone CEO, David Silbert, said TrailStone Group was delighted to be associated with Southern Cross.

"After a rigorous evaluation of opportunities in the market place, we identified Southern Cross as our preferred partner because of the proven capability of its management team, the low risk profile of its projects, and its ability to rapidly transition to a cashflow generating producer. Additionally, there is potential to take advantage of opportunities in the market to grow the company beyond current projects.

We are excited and confident about entering what we see will be a close and beneficial relationship with Southern Cross that will deliver strong returns to all investors," he said.



Debt package

The debt package includes the following components:

1. \$A25M Prepaid Gold Facility. The loan is repayable over 22 months commencing from the first anniversary of draw down of the facility and is satisfied by delivery of 33,000 ounces of gold at 1,500 ounces per month. In addition to reducing the gold loan balance, Southern Cross will receive a payment for each ounce of gold delivered, equivalent to the gold price at the time of draw down, less A\$1,000.
2. \$A35M Credit Facility. First draw down on the credit facility will be at least seven months after draw down of the Prepaid Gold Facility with the loan fully repayable by the end of 2019.

Both the gold loan and the credit facility will be subject to normal commercial terms and conditions.

The initial draw down of the Prepaid Gold Facility will be conditional on successful completion of the A\$5 million capital raising and the gold price not being less than \$A1300/oz on the date of first drawdown.

About TrailStone Group

Formed in April 2013, TrailStone is a group of companies, staffed with experienced commodity professionals from all sectors. Funded with an initial US\$500m investment by Riverstone Holdings LLC and the direct investment of the TrailStone partners and employees, offices have been established in London, Berlin, Sydney, Austin, and New York. The investment into SXG has been executed by TrailStone's mining finance division which undertakes both credit and equity investments in the junior mining sector globally. The investment into SXG would represent TrailStone's fourth significant investment globally, and its second into the junior mining sector. The transaction highlights TrailStone's desire to pursue a strategy of supporting high-quality management teams with a strong track record of operational delivery. For more information go to www.trailstonegroup.com.

About Riverstone Holdings LLC

Riverstone is an energy and power-focused private investment firm founded in 2000 by David M. Leuschen and Pierre F. Lapeyre, Jr. with approximately \$27 billion of equity capital raised. Riverstone conducts buyout and growth capital investments in the exploration & production, midstream, oilfield services, power and renewable sectors of the energy industry. With offices in New York, London, Houston and Mexico City, the firm has committed approximately \$26.1 billion to 108 investments in North America, Latin America, Europe, Africa and Asia.

***Production Targets and Forecast Financial Information***

The information in this announcement that relates to production targets and forecast financial information is extracted from previous market announcements as listed below.

Mt Boppy Gold Project

Announcement – “Mt Boppy Feasibility Study Results” released by Polymetals Mining Limited (ASX:PLY) on 29th January 2013; available to view on www.asx.com.au.

Marda Gold Project

Announcement - “Marda Gold Project - Feasibility Study Review” released on 10th December 2013 and “Marda Gold Project Feasibility – Additional Information” released on 20th December 2013; both are available to view on www.scross.com.au and www.asx.com.au.

The Company confirms that all material assumptions underpinning the production targets, and forecast financial information derived from the production targets, in the relevant market announcements shown above continue to apply and have not materially changed.

For further details, please contact

Frank Terranova, Managing Director, Southern Cross Goldfields Ltd
Telephone: +61 7 3236 2511, email admin@scross.com.au
Refer to www.scross.com.au